# UNITED STATES SECURITIES AND EXCHANGE COMMISSION Washington, D.C. 20549

# FORM 8-K

# CURRENT REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED): July 24, 2006

# **TEXAS INSTRUMENTS INCORPORATED**

(Exact name of registrant as specified in charter)

DELAWARE (State or other jurisdiction of incorporation) 001-03761 (Commission file number) 75-0289970 (I.R.S. employer identification no.)

12500 TI BOULEVARD P.O. BOX 660199 DALLAS, TEXAS 75266-0199 (Address of principal executive offices)

Registrant's telephone number, including area code: (972) 995-3773

Check the appropriate box below if the Form 8-K is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

□ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Dere-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

#### ITEM 2.02. Results of Operations and Financial Condition

The Registrant's news release dated July 24, 2006, regarding its second quarter 2006 results of operations and financial condition attached hereto as Exhibit 99 is incorporated by reference herein.

ITEM 9.01. Exhibits

Designation of Exhibit in this Report	Description of Exhibit
99	Registrant's News Release Dated July 24, 2006 (furnished pursuant to Item 2.02)

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995: This report includes forward-looking statements intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements generally can be identified by phrases such as TI or its management "believes," "expects," "anticipates," "foresees," "forecasts," "estimates" or other words or phrases of similar import. Similarly, statements in this report that describe the Company's business strategy, outlook, objectives, plans, intentions or goals also are forward-looking statements. All such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those in forward-looking statements.

We urge you to carefully consider the following important factors that could cause actual results to differ materially from the expectations of the Company or its management:

- · Market demand for semiconductors, particularly for analog chips and digital signal processors in key markets such as communications, entertainment electronics and computing;
- TI's ability to maintain or improve profit margins, including its ability to utilize its manufacturing facilities at sufficient levels to cover its fixed operating costs, in an intensely competitive and cyclical industry;
- · TI's ability to develop, manufacture and market innovative products in a rapidly changing technological environment;
- · TI's ability to compete in products and prices in an intensely competitive industry;
- · TI's ability to maintain and enforce a strong intellectual property portfolio and obtain needed licenses from third parties;
- Expiration of license agreements between TI and its licensees and market conditions reducing royalty payments to TI;
- Economic, social and political conditions in the countries in which TI, its customers or its suppliers operate, including security risks, health conditions, possible disruptions in transportation networks and fluctuations in foreign currency exchange rates;
- · Natural events such as severe weather and earthquakes in the locations in which TI, its customers or suppliers operate;
- · Availability and cost of raw materials, utilities and critical manufacturing equipment;
- Changes in the tax rate applicable to TI as the result of changes in tax law, the jurisdictions in which profits are determined to be earned and taxed, the outcome of tax audits and the ability to realize deferred tax assets;
- · Losses or curtailments of purchases from key customers and the timing and amount of distributor and other customer inventory adjustments;
- · Customer demand that differs from company forecasts;
- $\cdot$  The financial impact of inadequate or excess TI inventories to meet demand that differs from projections;
- $\cdot\,$  Product liability or warranty claims, or recalls by TI customers for a product containing a TI part;
- $\cdot\;$  TI's ability to recruit and retain skilled personnel; and
- Timely implementation of new manufacturing technologies, installation of manufacturing equipment and the ability to obtain needed third-party foundry and assembly/test subcontract services.

For a more detailed discussion of these factors, see the text under the heading "Risk Factors" in Item 1A of the Company's most recent Form 10-K. The forward-looking statements included in this report on Form 8-K are made only as of the date of this report, and the Company undertakes no obligation to update the forward-looking statements to reflect subsequent events or circumstances.

# SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

### TEXAS INSTRUMENTS INCORPORATED

By: /s/ Kevin P. March

Kevin P. March Senior Vice President and Chief Financial Officer

Date: July 24, 2006

# **TI Reports 2Q06 Financial Results**

· Revenue Up 11% Sequentially and 24% from a Year Ago, Including \$70 Million for Royalty Settlement

 $\cdot$  \$0.47 EPS from Continuing Operations, Up 42% Sequentially and 34% from a Year Ago

 $\cdot$  \$1.50 EPS from Continuing and Discontinued Operations, Including Gain on Sale

#### Conference Call on TI Web Site at 4:30 p.m. Central Time Today www.ti.com

Except as noted, financial results are for continuing operations. The sale of TI's former Sensors & Controls business was completed on April 27, 2006, and that business is reported as a discontinued operation.

DALLAS (July 24, 2006) - Texas Instruments Incorporated (TI) (NYSE: TXN) today reported revenue of \$3.70 billion for the second quarter of 2006. Revenue was 11 percent higher sequentially and 24 percent higher than the same quarter a year ago as demand for the company's semiconductors continued to strengthen. Sequential growth also benefited from seasonal demand for graphing calculators as retailers began to stock for the upcoming back-to-school season. As previously announced, the company received a \$70 million royalty settlement in the quarter that was included in revenue.

Earnings per share (EPS) from continuing operations were \$0.47, up 42 percent sequentially and 34 percent from a year ago. EPS included an expense of \$0.03 from stock-based compensation, a benefit of \$0.03 from a sales tax refund and a benefit of \$0.02 from the royalty settlement. The company began expensing stock options in the third quarter of 2005 and, therefore, equivalent stock-based compensation expense was not reflected in the year-ago quarter, when the company earned \$0.35 per share from continuing operations.

"This was another excellent quarter for Texas Instruments," said Rich Templeton, president and chief executive officer. "All regions of the world showed strong revenue growth from a year ago. Revenue from our wireless semiconductors grew 27 percent, including more than 70 percent growth in 3G; revenue from high-performance analog semiconductors grew 32 percent; and revenue from our DLP<sup>®</sup> picture technology grew 34 percent.

"Strategically, our focus on open wireless standards was reinforced by the actions of operators around the world, who are accelerating their infrastructure transitions to GSM because of its cost effectiveness and the wide range of choices it offers," Templeton said.

"Going into the third quarter, our backlog of orders is up, and our outlook is for seasonal growth. As always, we will pay close attention to the world's economies and to our inventory in the various market channels."

#### **Gross Profit**

TI's gross profit was \$1.91 billion, or 51.6 percent of revenue. This was an increase of \$235 million from the prior quarter and an increase of \$481 million from the year-ago quarter. The increases over both periods reflect higher revenue in the company's two segments, Semiconductor and Educational & Productivity Solutions (E&PS).

#### **Operating Expenses**

Research and development (R&D) expense was \$536 million, or 14.5 percent of revenue. R&D increased \$3 million from the prior quarter and \$51 million from the year-ago quarter. The increases were due to higher spending for development of new semiconductor devices, particularly associated with wireless applications.

Selling, general and administrative (SG&A) expense was \$418 million, or 11.3 percent of revenue. This expense decreased \$3 million from the prior quarter and was up \$79 million from the year-ago quarter. The increase from a year ago was primarily due to the combination of stock-based compensation expense and higher spending for consumer advertising of the company's DLP semiconductors used in high-definition televisions.

# **Operating Profit**

Operating profit was \$953 million, or 25.8 percent of revenue. This was an increase of \$235 million from the prior quarter primarily due to higher gross profit in both of the company's segments. It was also an increase of \$351 million from the year-ago quarter due to higher gross profit in the Semiconductor segment. Total stock-based compensation expense of \$84 million, or 2.3 percent of revenue, was included in Corporate in the second quarter of 2006.

### Other Income (Expense) Net (OI&E)

OI&E of \$88 million increased \$36 million from the prior quarter and \$32 million from the year-ago quarter due to a sales tax refund and higher interest income.

#### **Net Income**

Income from continuing operations was \$739 million, or \$0.47 per share.

Net income, which includes income from continuing and discontinued operations, was \$2.39 billion, or \$1.50 per share. This included \$1.65 billion from discontinued operations, almost all of which was a gain on the sale of the company's former Sensors & Controls business.

### Orders

TI orders were \$3.91 billion. This was an increase of \$302 million from the prior quarter and an increase of \$767 million from the year-ago quarter. Both increases were primarily due to higher demand for the company's semiconductor products.

# Cash

Cash flow from operations was \$667 million. This was an increase of \$145 million from the prior quarter and a decrease of \$97 million from the year-ago quarter.

At the end of the second quarter, total cash (cash and cash equivalents plus short-term investments) was \$5.67 billion, up \$2.01 billion from the end of the prior quarter and up \$1.20 billion from the end of the year-ago quarter. These increases were primarily due to the \$2.98 billion of cash from the sale of the company's Sensors & Controls business as well as income from continuing operations, partially offset by the cash used for stock repurchases. During the second quarter of 2006, the company repurchased 33 million shares of TI common stock for \$1.04 billion and paid \$47 million in dividends. Also in the quarter, \$275 million of variable-rate bank notes were prepaid.

#### **Capital Spending and Depreciation**

Capital expenditures were \$374 million. This was a decrease of \$34 million from the prior quarter and an increase of \$127 million from the year-ago quarter. TI's capital expenditures in the second quarter were primarily for equipment used in the assembly and test of semiconductors.

Depreciation was \$267 million, a decrease of \$3 million from the prior quarter and a decrease of \$70 million from the year-ago quarter.

#### **Accounts Receivable and Inventories**

Accounts receivable were \$1.93 billion. This was an increase of \$131 million from the prior quarter due to seasonally higher receivables for calculators in the E&PS segment, and an increase of \$191 million from the year-ago quarter reflecting higher revenue. Days sales outstanding were 47 at the end of the second quarter compared with 49 at the end of the prior quarter and 53 at the end of the year-ago quarter.

Inventory was \$1.34 billion at the end of the second quarter. This was an increase of \$89 million from the prior quarter as the company built inventory to support expected product shipments in the second half of the year. Compared with the year-ago quarter, inventory increased \$219 million. Days of inventory at the end of the second quarter were 67 compared with 67 at the end of the prior quarter and 65 at the end of the year-ago quarter.

## <u>Outlook</u>

# TI intends to provide a mid-quarter update to its financial outlook on September 11, 2006, by issuing a press release and holding a conference call. Both will be available on the company's web site.

For the third quarter of 2006, TI expects revenue from continuing operations to be in the following ranges:

- Total TI, \$3.63 billion to \$3.95 billion;
- $\cdot\,$  Semiconductor, \$3.45 billion to \$3.75 billion; and
- · Educational & Productivity Solutions, \$180 million to \$200 million.
- TI expects earnings per share from continuing operations to be in the range of \$0.42 to \$0.48.

The effective tax rate for continuing operations in 2006 is expected to be about 30 percent, unchanged from the prior estimate. This tax rate is based on current tax law and does not assume reinstatement of the federal research tax credit, which expired at the end of 2005. Additionally in 2006 for continuing operations, TI still expects expense for R&D to be about \$2.2 billion and capital expenditures to be about \$1.3 billion. Depreciation is expected to be about \$1.05 billion, up slightly from the prior estimate.

# TEXAS INSTRUMENTS INCORPORATED AND SUBSIDIARIES Consolidated Statements of Income (Millions of dollars, except per-share amounts)

		For Three Months Ended				
		June 30, 2006		Mar. 31, 2006		June 30, 2005
Net revenue	\$	3,697	\$	3,334	\$	2,971
Cost of revenue (COR)	Ŷ	1,790	Ŷ	1,662	Ŷ	1,545
Gross profit		1,907		1,672		1,426
Gross profit % of revenue		51.6%	, D	50.1%	, )	48.0%
Research and development (R&D)		536		533		485
R&D % of revenue		14.5%	, D	16.0%	, )	16.3%
Selling, general and administrative (SG&A)		418		421		339
SG&A % of revenue		11.3%	, D	12.6%	, )	11.49
Total operating costs and expenses		2,744		2,616		2,369
Profit from operations		953		718		602
Operating profit % of revenue		25.8%	Ď	21.5%	, )	20.3%
Other income (expense) net		88		52		56
Interest expense on loans		2		3		2
Income from continuing operations before income taxes		1,039		767		656
Provision for income taxes		300		225		72
Income from continuing operations		739		542		584
Income from discontinued operations, net of income taxes		1,648		43		44
Net income	\$	2,387	\$	585	\$	628
Basic earnings per common share:						
Income from continuing operations	\$	.48	\$	.34	\$	.36
Net income	\$	1.54	\$	.37	\$	.38
Diluted earnings per common share:						
Income from continuing operations	\$	.47	\$	.33	\$	.35
Net income	\$	1.50	\$	.36	\$	.38
Average shares outstanding (millions):						
Basic		1,553		1,585		1,633
Diluted		1,586		1,618		1,669
Cash dividends declared per share of common stock	<u>\$</u>	.030	\$	.030	\$	.025
Stock-based compensation expense included in continuing operations:						
COR		16		18		
R&D		25		28		
SG&A		43		45		5
Profit from operations		84		91		5
% of revenue		2.3%	,	2.7%		0.29

# TEXAS INSTRUMENTS INCORPORATED AND SUBSIDIARIES Consolidated Balance Sheets (Millions of dollars, except share amounts)

Access Cash and cash equivalents         S         1.678         S         2.2         5         2.142           Short-term investments         3.992         2.441         2.345         Accounts receivable, are of allowances of (\$20), (\$20) and (\$34)         1.929         1.736         1.739           Raw materials         108         9.1         9.5         1.739         1.244         1.115           Raw materials         108         9.1         9.6         3.6         3.55         1.33         1.244         1.116         9.73           Mork in process         113         5.1         2.445         2.245         9.972         0.004         3.66         3.55           Investories         11         5.6         4.84         2.245         9.972         0.004         0.600         9.72         0.004         0.600         <			June 30, 2006		Mar. 31, 2006		June 30, 2005
Cash and cash equivalens         S         1.070         S         2.24         S         2.242           Short-rem investments         3992         2.042         2.345           Accounts meetivable, net of allowances of (228), (322) and (S34)         1.929         1.788         1.788           Bax materials         108         91         75         1.788           Mark inputs         108         819         566         555           Frainalle guode         409         .3355         1.246         1.116           Deferred income taxes         632         635         597         7         7404         6422         6437         6428         6406         644         232         646         1113         644         6436         736         736         246         646         112         1449         644         232         646         112         1449         1449         1449         1449         1449         1449	Assets						
Short-err investments         3.992         2.942         2.343           Accounts receivable, are of allowances of (\$26), (\$32) and (\$34)         1929         1.738           Haw materials         108         91         75           Work in process         818         819         666           Investorials         1.335         1.246         1.116           Defared income taxts         632         0.255         937           Prepolit oppreses and other current assets         9102         2.46         2.44           Assets of discontinued oparations         11         516         442           Less accumulated dispreciation         4.442         0.459         0.4600           Property plant and equipment are cost         8.406         0.442         0.739           Less accumulated dispreciation         4.422         4.574         (5.172)           Repress, plant and equipment, are taxe         3.940         3.966         3.960           Copatibilities of discontinued oparation on taxes         248         3.900         566           Copatibilities of discontinued oparations         117         131         84           Defared income taxes         248         3.90         566           Copatibilities         1	Current assets:						
Accounts receivable, net of allowances of (\$20), (\$22) and (\$34)         1.929         1.738           Raw materials         100         9.1         7.73           Raw materials         010         030         355           Funkhed pools         409         336         355           Investories         213         246         224           Deferred income taxes         622         626         267           Neass of illocontined operations         11         316         424           Neass of illocontined operations         128         426         426           Projecty, plant and equipacet a cost         8,906         8,400         8,762         6,762           Roperty, plant and equipacet, net         3,664         3,866         8,442         6,372           Roperty, plant and equipacet, net         3,664         3,866         3,866         3,866           Codokill         792         293         6,726         6,722         2,858           Captizized of twest licenses, net         197         222         2,858         5,843         5         -5         3,966           Captizized software licenses, net         197         222         2,858         5         143         5	Cash and cash equivalents	\$	1,678	\$	722	\$	2,128
Nave materials         106         91         75           Work process         818         819         666           Finished goods         409         353         355           Investories         1.335         1.246         1.116           Deferred income states         215         240         224           Assers of deconfinited operations         11         516         442           Assers of deconfinited operations         11         516         442           Projecty plant and equipment at cost         8,406         8,442         8,738           It cost are states         2,394         3,868         3,526           Equity and debit investments         233         240         265           Cophilards of other networks         243         3,949         256           Cophilards of other networks         248         300         568           Cophilards of other networks         219         164         112         149           Total assers         5         15,928         5         14,085         144           Come savaible and current portion of long-term debt         S         43         5         -         5         300           Cother assets	Short-term investments		3,992		2,942		2,345
Work process818819666Finished goa's409363355Inventories6326.265357Prepsid expenses and other current assets215248224Assets of discontinued operations11516442Instantinued operations11516442Instantinued operations11516442Property plant and equipment, net3,0843,0883,025Equity and debt investments213240223Cochstill722733677Acquistion-related integlibles11713184Equity and debt investments428300508Cochstill722223677Acquistion-related integlibles11713184Equity and table investments428300508Cochstill72073575720757Acquistion-related integlibles78455110Total assets1113711571Accounts payable and current portion of long-term debt7845720757Accounts payable780230244240240Accounts payable780230244240Accounts payable780230244240245Contarte statistifies111371157136Corrent Isbillities239244240240240Corrent Isbillities239<	Accounts receivable, net of allowances of (\$28), (\$32) and (\$34)		1,929		1,798		1,738
Finisherig Joventoria         409         361         355           Javentoria         1,235         1,244         1,116           Deterred income taxes         632         632         632           Assets of discontined operations         11         516         432           Total current assets         9,792         60.00         6.600           Poperty, plant and and equipment at cost         8,406         8,442         8,788           Less accumulated depreciation         (4,422)         (4,573)         (5,172)           Poperty, plant and and equipment at cost         3,944         8,868         3,855           Explity and debt investments         233         240         205           Cooksill         792         793         677           Arcpitatione-Interation and equipment at cost         428         390         566           Capitatized software licenses, net         197         222         228           Popalate interament cost         219         144         123           Oter assets         1102         149         149           Total assets         5         15,928         14,040         249           Labitities         243         5         4,040	Raw materials		108		91		75
Inventories         1,335         1,246         1,110           Deferred income taxes         320         6.66         597           Prepaid expenses and other current assets         215         248         224           Assets of discontinued preparitons         11         516         422           Cola Current assets         3,792         8,098         3,600           Property, plant and equipment at cost         3,844         3,784         3,784           Less acturnulated diperciation         (4,427)         (4,57,72)         (5,772)           Property, plant and equipment, atel         3,984         3,868         3,525           Goodwill         792         793         677           Acquisition-related latangibles         117         131         64           Optimations cases         428         390         568           Capitalized software licenses, act         197         122         225           Other assets         116         112         149           Carreat liabilities:         219         184         223           Carreat payle and current portion of long-term debt         5         43         \$ -         \$ 306           Accrumat payable         70         200	Work in process		818		819		686
Deferred income taxes         632         632         633         634         635         635           Prepaid expenses and other current assets         215         248         224           Total current assets         9,792         8,098         8,600           Operty, plant and equipment, net         3,984         3,866         3,626           Cauvant assets         223         240         225           Cauvant and equipment, net         3,984         3,866         3,626           Cauvant and equipment, net         3,984         3,866         3,627           Cauvant and equipment, net         3,984         3,866         3,627           Cauvant and equipment, net         3,984         3,866         3,627           Cauvant and equipment, net         3,984         3,868         3,626           Cauvant and equipment action         (4,422)         793         677           Cauvant and equipment action         117         131         84           Deferred income taxes         243         300         58           Cauvant and equipment action         117         713         62           Cauvant and acturent particle and set and current partend set and			409		336		355
Prepaid expenses and other current assets         215         248         224           Total current assets         9,792         8,098         8,600           Property, plant and equipment, at cost         8,406         8,442         6,739           Property, plant and equipment, at cost         3,944         3,868         3,660           Less accurranted deprectation         (4,22)         (4,574)         (5,172)           Property, plant and equipment, at cost         3,944         3,868         3,660           Explicit and det investments         235         240         265           Gondwill         792         793         677           Application and set investments         215         114         122           Deferred incrume taxes         219         1144         222           Applicat ontinuement costs         219         1144         122         149           Deferred incrume taxes         5         15,392         5         14,406         112         149           Lasses show the current portion of long-term debt         5         43         5         -         \$         306           Account payable and current portion of long-term debt         5         43         5         -         \$	Inventories		1,335		1,246		1,116
Asses of discontinued operations         11         516         4422           Drole current asses         9,792         8,098         8,090           Property, plant and equipment at cost         8,446         8,442         6,5798           Less accumulated depreciation         (4,422)         (4,574)         (5,172)           Property, plant and equipment, net         3,984         3,968         3,6626           Coordwill         792         2793         6,670           Arquishion-related intragibles         117         131         644           Deferred income taxes         2,191         184         232           Coordwill         197         222         285           Propatic plant consent taxes         2,191         184         232           Propatic plant consent taxes         116         112         149           Total assets         \$         15,928         \$         14,486           Labilities and Stockholders' Equity         788         70         306         244           Carrent liabilities         193         4905         1811         1000         248         300         248           Account payable         Accurrent plant current ubabilities         11         157 <td></td> <td></td> <td>632</td> <td></td> <td>626</td> <td></td> <td>597</td>			632		626		597
Trait current assets         9,792         8,098         6,000           Property, plant and equipment at cost         84406         8,442         8,739           Less accumulaed deprectation         (4,422)         (4,574)         (5,172)           Property, plant and equipment, net         3,944         3,666         3,666           Equity and deb investments         233         2400         255           Goodwill         792         793         677           Acquisition-related intrangibles         117         131         344           Defered incrome taxes         428         390         568           Capitalized software licenses, net         197         222         285           Property regular etimetement costs         197         222         285           Christ assets         146         112         149           Total assets         143         5         5         306           Accounts payable and current portion of long-term debt         5         43         5         -           Accounts payable and current portion of long-term debt         203         2249         2499         249           Accounts payable         277         43         620         111         157							
Property, plant and equipment at cost       8.446       8.442       8.6788         Less accumulated depreciation $(4.422)$ $(4.573)$ $(5,172)$ Property, plant and equipment, net       3.984       3.868       3.626         Goodwill       792       793       677         Arquisition-related intangibles       117       131       84         Deferred income taxes       428       390       568         Capitalized Software licenses, net       197       222       225         Prepaid relinement costs       197       222       225         Other assets       166       112       149         Total assets       5       15.928       \$       14.486         Lass payable and current partion of long-term debt       S       43       \$       -         Accounts payable       708       700       2260       2,117         Loss payable and current partion of long-term debt       S       43       \$       -       3       3         Account payable       770       43       62       2,117       36         Account payable       2703       2,005       2,117       36         Total ascets       13       116	-						
Icss accumulated depreciation         (4,422)         (4,574)         (5,172)           Property, plant and equipment, net         3,994         3,898         3,626           Equiv and debt investments         253         240         2265           Goodwill         792         793         677           Acquisition-related intangibles         117         131         84           Defered income taxes         428         390         568           Capitalized software licenses, net         197         222         285           Prepaid retirement costs         219         184         232           Other assets         146         112         149           Ical assets         5         363         -         5           Accounts payable         788         7-0         205         3           Accounts payable         788         720         2757         3         6           Accounts payable         788         720         248         3         62           Accounts payable         781         157         15         15         15         15         15         15         15         15         15         15         15         15							
Property, plant and equipment, net         3.984         3.868         3.626           Equity and debt investments         253         240         265           Goodwill         792         733         677           Acquisition-related intengibles         117         131         840           Deferred income taxes         428         300         568           Capitalized software licenses, net         197         222         285           Prepaid retirement costs         146         112         149           Other assets         146         122         1403           Contens spayable         780         720         575           Accured expenses and other liabilities         994         895         811           Income taxes payable         780         220         285           Accured profit sharing and retirement         77         43         662           Liabilities of discontinued operations         11         157         115           Accured profit sharing and retirement         77         43         662           Liabilities of discontinued operations         11         157         115           Total current liabilities         239         254         289							
Equity and debt investments         253         240         265           Goodwill         792         793         677           Acquisition-related intangibles         117         131         84           Deferred income taxes         428         390         568           Capitalized software licenses, net         97         222         285           Prepaid retirement costs         219         184         232           Other assets         146         112         149           Total assets         5         15,528         \$         14,436           Liabilities and Stockholders' Equity         Current liabilities         994         995         811           Income taxes payable and current portion of long-term debt         \$         43         \$         -         \$         306           Accrude protish sharing and retirement         77         43         62         2,117         115         115         115         116         526         2,117         2,005         2,117         2,017         36         2,029         2,41         2,800         3,023         3,025         2,117         316         526         2,600         3,023         3,140         2,800         3,023 <t< td=""><td></td><td></td><td></td><td></td><td></td><td></td><td></td></t<>							
Goodwill         792         793         677           Acquisition-related intangibles         117         131         84           Deferred income taxes         428         390         568           Capitalized software licenses, net         197         222         2285           Prepaid retirement costs         219         184         223           Other assets         166         112         149           Total assets         5         15,928         \$         14,038         \$         144,86           Charbitities and Stockholders' Equity         Current liabilities         788         7.00         5         306           Accounts payable         788         7.00         280         2488         .00         2488         .00         2488         .00         2488         .00         .00         .01         .00         .00         .02         .01         .00         .00         .01         .00							
Acquisition-related intangibles         117         131         94           Deferred income taxes         203         568           Capitalled Software licenses, net         219         184         232           Prepair deritement costs         219         184         232           Other assets         116         112         1448           Total assets         5         15.928         5         14.038         5         14.486           Current liabilities         5         43         5         -         \$         306           Accounts payable and current portion of long-term debt         5         43         \$         -         \$         306           Accounts payable         707         43         620         248         2005         2.117           Accrued profits labaring and retirement         77         43         2005         2.117         135         115         17         36         55           Accrued profits labaring and retirement         77         43         2.005         2.117         2.005         2.117         2.005         2.117         316         55           Accrued profits labaring and retirement         77         43         2.005         3.023							
Deferred income taxe         428         390         568           Capitalized software licenses, net         197         222         285           Other assets         146         112         149           Total assets         146         112         149           Total assets         146         112         149           Total assets         148         5         14.038         5         14.43           Carrent liabilities         1         14.038         5         -         5         306           Accounts payable and current portion of long-term debt         5         43         5         -         5         306           Accounts payable and current portion of long-term debt         5         43         5         -         5         306           Accounts payable and current portion of long-term debt         5         43         5         -         5         306           Account payable         11         157         115         115         115         115         115         115         115         116         526         289         289         289         289         289         289         280         3023         3023         3023         3			-				
Capitalized software licenses, net         197         222         285           Prepair deriement costs         146         112         149           Other assets         1         5         15,928         5         14,008         5         14,406           Total assets         5         15,928         5         14,008         5         14,406           Current liabilities:	· ·						
Prepaid retirement costs         219         184         2232           Other assets         146         112         1439           Total assets         5         15,928         \$         14,038         \$         14,486           Labilities and Stockholders' Equity         Urrent liabilities:         5         33         \$         -         \$         306           Corrent liabilities:         984         695         1811         6         206         248           Accounts payable and current portion of long-term debt         \$         4.37         \$         -         \$         306           Accounts payable         975         5.788         720         575         5         5         4.36         6.2         2.481         1.62         2.695         2.611         1.65         6.11         1.57         1.15         1.15         1.15         1.15         1.15         1.15         1.15         1.15         1.15         1.16         5.266         2.699         2.620         2.800         3.023         3.023         3.023         3.023         3.023         3.023         3.023         3.023         3.023         3.023         3.023         3.023         3.023         3.023         <							
Other assets         146         112         149           Total assets         S         15,928         S         14,038         S         14,486           Liabilities and Stockholders' Equity         Current liabilities:         -         S         30         S         -         S         306           Accounts payable and current portion of long-term debt         S         43         S         -         S         306           Accounts payable         788         720         575         Accrued expenses and other liabilities         994         895         811         . <t< td=""><td></td><td></td><td></td><td></td><td></td><td></td><td></td></t<>							
S         15,928         S         14,038         S         14,486           Liabilities and Stockholders' Equity         Current liabilities:         5         43         S	-						
Liabilities and Stockholders' Equity         Liabilities and Stockholders' Equity         Loans payable and current portion of long-term debt       \$ 43       \$ \$ 306         Accrued expenses and other liabilities       994       895       811         Income taxes payable       870       280       248         Accrued expenses and other liabilities       994       895       811         Income taxes payable       870       280       248         Accrued profit sharing and retirement       77       43       62         Liabilities of discontinued operations       11       157       115         Total current liabilities       2,783       2,095       2,117         Long-term debt        318       55         Accrued retirement costs       103       116       526         Deferred income taxes       15       17       36         Deferred income taxes       15       17       36         Deferred reditis and other liabilities       2,39       2,54       2,890         Total liabilities       3,140       2,800       3,023         Stockholders' equity:       -       -       -       -         Preferred stock, \$252 par value. Authorized 2,400,000,000 share		\$		\$		\$	
Current liabilities:         S         43         \$         -         \$         806           Accounts payable and current portion of long-term debt         787         720         7575           Accounts payable         780         720         7575           Accrued expenses and other liabilities         994         895         811           Income taxes payable         870         280         248           Accrued profit sharing and retirement         77         43         662           Liabilities of discontinued operations         11         157         115           Total current liabilities         203         2,005         2,117           Long-term debt          318         55           Accrued profit sharing and retirement costs         103         116         526           Deferred income taxes         3,140         2,800         3,023           Total liabilities         233         2,55         2,89           Total liabilities         3,140         2,800         3,023           Stockholders' equity:              Preferred Stock, \$25 par value. Authorized - 1,000,000 shares. Shares issued: June 30, 2006 - 1,739,086,194; March 31, 2006 - 1,739,070,044; June 30, 2005		Ψ	15,520	Ψ	14,050	Ψ	14,400
Loans payable and current portion of long-term debt         \$         43         \$          \$         306           Accounds payable         788         720         575           Accound expenses and other liabilities         994         895         811           Income taxes payable         870         280         248           Accounde operations         11         157         115           Total current liabilities         2,783         2,095         2,1117           Long-term debt          318         55           Accound retriement costs         103         116         526           Deferred retriement costs         103         116         526           Deferred redits and other liabilities         239         254         289           Total liabilities         3,140         2,800         3,023           Stockholders' equity:               Preferred stock, \$25 par value. Authorized 10,000,000 shares. Shares issued: June 30, 2006 1,739,086,194; March 31, 2006 1,739,070,044; June 30, 2005         1,739         1,739         1,739           Accound Lapital         779         744         611           Retained earnings         16,271	Liabilities and Stockholders' Equity						
Accounts payable       788       720       575         Accounde expenses and other liabilities       994       895       811         Income taxes payable       870       280       248         Accrued profit sharing and retirement       77       43       62         Liabilities of discontinued operations       11       157       115         Total current liabilities       2,783       2,005       2,117         Long-term deb        318       55         Accrued preirement costs       103       116       526         Deferred income taxes       15       17       36         Deferred credits and other liabilities       239       254       289         Total liabilities       3,140       2,800       3,023         Stockholders' equity:       -       -       -       -         Preferred stock, \$25 par value. Authorized 10,000,000 shares. Participating       -       -       -       -         30, 2006 - 1,739,086,194, March 31, 2006 1,739,070,044, June 30, 2005       1,739       1,739       1,739       1,739         Paid-in capital       779       744       6111         Retained earnings       16,271       13,930       12,197 <t< td=""><td>Current liabilities:</td><td></td><td></td><td></td><td></td><td></td><td></td></t<>	Current liabilities:						
Accrued expenses and other liabilities       994       895       811         Income taxes payable       870       280       248         Accrued profit sharing and retirement       77       43       62         Liabilities of discontinued operations       11       157       115         Total current liabilities       2,783       2,095       2,117         Long-term debt        318       55         Accrued retirement costs       103       116       526         Deferred income taxes       15       17       36         Deferred income taxes       3,140       2,800       3,023         Total liabilities       2,39       2,54       2,899         Total liabilities       3,140       2,800       3,023         Stockholders' equity:       Preferred stock, \$25 par value. Authorized - 1,0,000,000 shares. Participating cumulative preferred. None issued.       -       -       -         30, 2006 - 1,739,086,194; March 31, 2006 - 1,739,070,044; June 30, 2005       1,739       1,739       1,739         1,734,238       16,271       13,330       12,197         Less treasury common stock at cost:       Shares: June 30, 2006 - 206,501,103; March 31, 2006 - 181,032,577; June 30, 2005       -       -       -		\$		\$		\$	306
Income taxes payable       870       280       248         Accured profit sharing and retirement       77       43       62         Liabilities of discontinued operations       11       157       115         Total current liabilities       2,783       2,095       2,117         Long-term debt        318       55         Accured retirement costs       103       116       526         Deferred retist and other liabilities       239       254       289         Total liabilities       3,140       2,800       3,023         Stockholders' equity:            Preferred stock, \$25 par value. Authorized 10,000,000 shares. Shares issued: June 30, 2006 1,739,086,194; March 31, 2006 1,739,070,044; June 30, 2005           1,738,514,238       1,739       1,739       1,739       1,739         Paid-in capital       779       744       611         Retained earnings       16,271       13,930       12,197         Less treasury common stock at cost:            Shares: Lune 30, 2006 206,501,103; March 31, 2006 181,032,577; June 30, 2005       -       115,461,457       (5,092)       (2,908)							
Accrued profit sharing and retirement       77       43       62         Liabilities of discontinued operations       11       157       115         Total current liabilities       2,783       2,095       2,117         Long-term deb        318       55         Accrued retirement costs       103       116       526         Deferred income taxes       15       17       36         Deferred credits and other liabilities       239       254       289         Total liabilities       3,140       2,800       3,023         Stockholders' equity:            Preferred stock, \$25 par value. Authorized 10,000,000 shares. Participating cumulative preferred. None issued.            30, 2006 1,739,086,194; March 31, 2006 1,739,070,044; June 30, 2005             1,738,514,238       17,39       1,739       1,739       1,739       1,739       1,739         Paid-in capital       779       744       611         Retained earnings       16,271       13,930       12,197         Less treasury common stock at cost: Shares: June 30, 2006 206,501,103; March 31, 2006 181,032,577; June 30, 2005 115,461,457       (5,911)       <							
Liabilities of discontinued operations       11       157       115         Total current liabilities       2,783       2,095       2,117         Long-term debt        318       55         Accrued retirement costs       103       116       526         Deferred income taxes       15       17       36         Deferred credits and other liabilities       239       254       289         Total liabilities       3,140       2,800       3,023         Stockholders' equity:             Preferred stock, \$25 par value. Authorized 10,000,000 shares. Participating cumulative preferred. None issued.							
Total current liabilities         2,783         2,095         2,117           Long-term debt          318         55           Accrued retirement costs         103         116         526           Deferred income taxes         15         17         36           Deferred credits and other liabilities         239         254         289           Total liabilities         3,140         2,800         3,023           Stockholders' equity:              Preferred stock, \$25 par value. Authorized 10,000,000 shares. Participating cumulative preferred. None issued.              Common stock, \$1 par value. Authorized 2,400,000,000 shares. Shares issued: June 30, 2006 1,739,086,194; March 31, 2006 1,739,070,044; June 30, 2005         1,739         1,739         1,739           Paid-in capital         779         744         611           Retained earnings         16,271         13,930         12,197           Less treasury common stock at cost: Shares: June 30, 2006 - 206,501,103; March 31, 2006 181,032,577; June 30, 2005 115,461,457         (5,911)         (5,092)         (2,908)           Accumulated other comprehensive income (loss):							
Long-term debt          318         55           Accrued retirement costs         103         116         526           Deferred income taxes         15         17         36           Deferred credits and other liabilities         239         254         289           Total liabilities         3,140         2,800         3,023           Stockholders' equity:              Preferred stock, \$25 par value. Authorized 10,000,000 shares. Participating cumulative preferred. None issued.              Common stock, \$1 par value. Authorized 2,400,000,000 shares. Shares issued: June 30, 2006 1,739,086,194; March 31, 2006 1,739,070,044; June 30, 2005         1,739         1,739         1,739           Paid-in capital         779         744         611           Retained earnings         16,271         13,930         12,197           Less treasury common stock at cost: Shares: June 30, 2006 206,501,103; March 31, 2006 181,032,577; June 30, 2005 115,461,457         -         -           Minimum pension liability         (66)         (65)         (163)           Unrealized gains (losses) on available-for-sale investments         (23)         (17)         (11)           Unarende compensation         (1)         (1)			· · · · · · · · · · · · · · · · · · ·				
Accorded retirement costs       103       116       526         Deferred income taxes       15       17       36         Deferred credits and other liabilities       239       254       289         Total liabilities       3,140       2,800       3,023         Stockholders' equity:            Preferred stock, \$25 par value. Authorized 10,000,000 shares. Participating cumulative preferred. None issued.           Common stock, \$1 par value. Authorized 2,400,000,000 shares. Shares issued: June 30, 2005 1,739,070,044; June 30, 2005       1,739       1,739         1,738,514,238       1,739       1,739       1,739       1,739         Paid-in capital       779       744       611         Retained earnings       16,271       13,930       12,197         Less treasury common stock at cost:       Shares: June 30, 2006 206,501,103; March 31, 2006 181,032,577; June 30, 2005       -       -         Shares: June 30, 2006 206,501,103; March 31, 2006 181,032,577; June 30, 2005       -       -       -         -       -       -       -       -       -         Shares: June 30, 2006 206,501,103; March 31, 2006 181,032,577; June 30, 2005       -       -       -         -       -			2,783			_	
Deferred income taxes         15         17         36           Deferred credits and other liabilities         239         254         289           Total liabilities         3,140         2,800         3,023           Stockholders' equity:	-						
Deferred credits and other liabilities         239         254         289           Total liabilities         3,140         2,800         3,023           Stockholders' equity:							
Total liabilities         Out         Out <thout< th=""></thout<>							
Stockholders' equity:							
Preferred stock, \$25 par value. Authorized 10,000,000 shares. Participating cumulative preferred. None issued.            Common stock, \$1 par value. Authorized 2,400,000,000 shares. Shares issued: June 30, 2006 1,739,086,194; March 31, 2006 1,739,070,044; June 30, 2005       1,739       1,739       1,739         30, 2006 1,739,086,194; March 31, 2006 1,739,070,044; June 30, 2005       1,739       1,739       1,739         1,738,514,238       1,739       1,739       1,739         Paid-in capital       779       744       611         Retained earnings       16,271       13,930       12,197         Less treasury common stock at cost: Shares: June 30, 2006 206,501,103; March 31, 2006 181,032,577; June 30, 2005 115,461,457       (5,911)       (5,092)       (2,908)         V        666       (65)       (163)         Unrealized dother comprehensive income (loss):        (23)       (17)       (11)         Unrealized gains (losses) on available-for-sale investments       (23)       (17)       (11)         Unearned compensation       (1)       (1)       (2)       11,463         Total stockholders' equity       12,788       11,238       11,463			5,140		2,000		5,025
Common stock, \$1 par value. Authorized 2,400,000,000 shares. Shares issued: June 30, 2006 1,739,086,194; March 31, 2006 1,739,070,044; June 30, 2005 1,739, 514,238       1,739       1,739         Paid-in capital       1779       744       611         Retained earnings       16,271       13,930       12,197         Less treasury common stock at cost:       Shares: June 30, 2006 206,501,103; March 31, 2006 181,032,577; June 30, 2005       -       -       -         115,461,457       (5,911)       (5,092)       (2,908)                Accumulated other comprehensive income (loss):             Minimum pension liability       (66)       (65)       (163)         Unrealized gains (losses) on available-for-sale investments       (23)       (17)       (11)         Unearned compensation       (1)       (1)       (2)         Total stockholders' equity       12,788       11,238       11,463							
Paid-in capital       779       744       611         Retained earnings       16,271       13,930       12,197         Less treasury common stock at cost: Shares: June 30, 2006 206,501,103; March 31, 2006 181,032,577; June 30, 2005 115,461,457       (5,911)       (5,092)       (2,908)         115,461,457       (5,912)       (5,912)       (5,912)       (2,908)         115,461,457       (100)       (100)       (100)       (100)         Accumulated other comprehensive income (loss):	Common stock, \$1 par value. Authorized 2,400,000,000 shares. Shares issued: June						
Retained earnings       16,271       13,930       12,197         Less treasury common stock at cost: Shares: June 30, 2006 206,501,103; March 31, 2006 181,032,577; June 30, 2005 115,461,457       (5,911)       (5,092)       (2,908)	1,738,514,238		1,739		1,739		1,739
Less treasury common stock at cost:       Shares: June 30, 2006 206,501,103; March 31, 2006 181,032,577; June 30, 2005       (5,911)       (5,092)       (2,908)         115,461,457       (5,911)       (5,092)       (2,908)         Accumulated other comprehensive income (loss):       (66)       (65)       (163)         Minimum pension liability       (66)       (65)       (163)         Unrealized gains (losses) on available-for-sale investments       (23)       (17)       (11)         Unearned compensation       (1)       (1)       (2)         Total stockholders' equity       11,238       11,238       11,463	Paid-in capital		779		744		611
Shares: June 30, 2006 206,501,103; March 31, 2006 181,032,577; June 30, 2005       (5,911)       (5,092)       (2,908)         115,461,457       (5,911)       (5,092)       (2,908)         Accumulated other comprehensive income (loss):			16,271		13,930		12,197
Minimum pension liability       (66)       (65)       (163)         Unrealized gains (losses) on available-for-sale investments       (23)       (17)       (11)         Unearned compensation       (1)       (1)       (2)         Total stockholders' equity       12,788       11,238       11,463	Shares: June 30, 2006 206,501,103; March 31, 2006 181,032,577; June 30, 2005		(5,911)		(5,092)		(2,908)
Unrealized gains (losses) on available-for-sale investments         (23)         (17)         (11)           Unearned compensation         (1)         (1)         (2)           Total stockholders' equity         11,238         11,238         11,463							
Unearned compensation         (1)         (1)         (2)           Total stockholders' equity         12,788         11,238         11,463					(65)		(163)
Total stockholders' equity         11,238         11,238         11,463							(11)
							(2)
Total liabilities and stockholders' equity         \$         15,928         \$         14,038         \$         14,486							
	Total liabilities and stockholders' equity	\$	15,928	\$	14,038	\$	14,486

# TEXAS INSTRUMENTS INCORPORATED AND SUBSIDIARIES Consolidated Statements of Cash Flows (Millions of dollars)

	For Three Months Ended					
	 June 30, 2006		Mar. 31, 2006		June 30, 2005	
Cash flows from operating activities:						
Net income	\$ 2,387	\$	585	\$	628	
Adjustments to reconcile net income to cash provided by operating activities of continuing operations:						
Less income from discontinued operations	(1,648)		(43)		(44)	
Depreciation	267		270		337	
Stock-based compensation	84		91		5	
Amortization of capitalized software	29		30		31	
Amortization of acquisition-related intangibles	15		16		15	
Deferred income taxes	(41)		(36)		(174)	
Increase/(decrease) from changes in:						
Accounts receivable	(138)		(144)		(220)	
Inventories	(89)		(57)		40	
Prepaid expenses and other current assets	26		(111)		112	
Accounts payable and accrued expenses	129		(111)		11	
Income taxes payable	(334)		151		12	
Accrued profit sharing and retirement	35		(78)		29	
Noncurrent accrued retirement costs	(45)		(76)		5	
Other	(43)		(40)			
Net cash provided by operating activities of continuing operations					(23)	
The cash provided by operating activities of continuing operations	 667		522		764	
Cash flows from investing activities:						
Additions to property, plant and equipment	(374)		(408)		(247)	
Proceeds from sales of assets	2,982		4			
Purchases of cash investments	(3,063)		(1,153)		(248)	
Sales and maturities of cash investments	1,983		2,341		1,192	
Purchases of equity investments	(17)		(5)		(6)	
Sales of equity and debt investments	2		7			
Acquisition of businesses, net of cash acquired	 (28)		(177)			
Net cash provided by investing activities of continuing						
operations	 1,485		609		691	
Cash flows from financing activities:						
Payments on loans and long-term debt	(275)		(311)		(10)	
Dividends paid on common stock	(47)		(48)		(41)	
Sales and other common stock transactions	137		142		116	
Excess tax benefit from stock option exercises	57		7			
Stock repurchases	(1,037)		(1,440)		(1,292)	
Net cash used in financing activities of continuing operations	 (1,165)		(1,650)		(1,227)	
Cash flows from discontinued operations:						
Operating activities	(28)		35		62	
Investing activities	(26)		(10)		(22)	
Net cash provided by (used in) discontinued operations	 (34)		25		40	
Effect of exchange rate changes on cash	 3		2		9	
Net increase/(decrease) in cash and cash equivalents	956		(492)		277	
Cash and cash equivalents, beginning of period	 722		1,214		1,851	
Cash and cash equivalents, end of period	\$ 1,678	\$	722	\$	2,128	

Certain amounts in the prior periods' financial statements have been reclassified to conform to the current presentation.

# Business Segment Net Revenue (In millions of dollars)

	For Three Months Ended							
		June 30, 2006		Mar. 31, 2006		June 30, 2005		
Semiconductor Educational & Productivity Solutions	\$	3,505 192	\$	3,262 74	\$	2,791 181		
Intersegment eliminations	<u> </u>			(2)		(1)		
Total net revenue	<u>\$</u>	3,697	\$	3,334	\$	2,971		

# Business Segment Profit (Loss) (In millions of dollars)

	For Three Months Ended							
		June 30, 2006		Mar. 31, 2006		June 30, 2005		
Semiconductor*	\$	1,032	\$	883	\$	597		
Educational & Productivity Solutions		84		13		79		
Corporate**		(163)		(178)		(74)		
Profit from operations	<u>\$</u>	953	\$	718	\$	602		

\* Semiconductor profit from operations includes a benefit of \$57 for a state sales tax refund and \$60 from the royalty settlement in the second quarter of 2006.

\*\* Corporate includes stock-based compensation expense of \$84, \$91 and \$5 respectively.

The royalty settlement and sales tax refund benefit included in TI's second quarter 2006 results are detailed as follows. All items are in the Semiconductor segment results except the \$20 million in Other income (expense) net, which is in Corporate.

	Ro	yalty	
	Sett	ement	Sales Tax Refund
Orders	\$	70	\$
Net revenue		70	
Cost of revenue		10	(31)
Gross profit		60	31
R&D			(21)
SG&A			(5)
Profit from operations		60	57
Other income (expense) net			20
Income from continuing operations before income taxes		60	77

#### **Semiconductor**

- Revenue in the second quarter was \$3.51 billion. This was an increase of 7 percent from the prior quarter primarily due to demand for the company's analog products and a \$70 million royalty settlement received in the second quarter from Conexant Systems, Inc. It was also an increase of 26 percent from the year-ago quarter primarily due to demand for the company's DSP and analog products.
- o Analog revenue was up 8 percent from the prior quarter and increased 23 percent from the year-ago quarter primarily due to demand for the company's high-performance analog products and analog products used in broadband applications. Revenue from high-performance analog products grew 5 percent from the prior quarter and 32 percent from a year ago.
- o DSP revenue was about even with the prior quarter, and was up 24 percent from the year-ago quarter primarily due to higher demand from the wireless market.
- o TI's remaining Semiconductor revenue increased 17 percent from the prior quarter and 31 percent from a year ago due to the royalty settlement and broad-based growth in demand for DLP products, RISC microprocessors, standard logic products and microcontrollers.
- Gross profit was \$1.82 billion, or 51.8 percent of revenue. This was an increase of \$157 million from the prior quarter and an increase of \$490 million from the year-ago quarter. The increases over both periods were due to higher revenue.
- Operating profit was \$1.03 billion, or 29.4 percent of revenue. This was an increase of \$149 million from the prior quarter and an increase of \$435 million from the year-ago quarter. The increases over both periods were due to higher gross profit.
- Semiconductor orders were \$3.75 billion. This was an increase of 10 percent from the prior quarter primarily due to demand for analog products, and an increase of 26 percent from a year ago due to strong demand for analog and DSP products.

### Semiconductor Highlights

- TI is increasing its wireless design presence in India with a new R&D center in Chennai, focusing on a platform of open-standard technologies that span TI's wireless product portfolio.
- TI unveiled details of its 45-nanometer manufacturing process that uses immersion lithography to double the number of chips per wafer, increase performance by 30 percent and reduce power consumption by 40 percent, providing customers early access to faster, smaller and lower power products.
- TI began volume production of a high-performance analog power management chip that extends battery life in smartphones, digital still cameras and other single-cell lithium-ion-powered portable multimedia devices, by delivering 96 percent efficiency over a wide range of input voltages.

### **Educational & Productivity Solutions**

- Revenue in the second quarter was \$192 million. This was an increase of \$118 million from the prior quarter as retailers began to stock product in preparation for the upcoming back-to-school season. It was also an increase of \$11 million from the year-ago quarter due to higher demand from instructional dealers that supply school districts.
- · Gross profit was \$119 million, or 61.9 percent of revenue. Gross profit increased \$78 million from the prior quarter and \$8 million from the year-ago quarter primarily due to higher revenue.
- Operating profit was \$84 million, or 43.9 percent of revenue. This was an increase of \$71 million from the prior quarter and \$5 million from the year-ago quarter. The increases were due to higher gross profit.

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"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995: This release includes forward-looking statements intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements generally can be identified by phrases such as TI or its management "believes," "expects," "anticipates," "foresees," "forecasts," "estimates" or other words or phrases of similar import. Similarly, statements in this release that describe the Company's business strategy, outlook, objectives, plans, intentions or goals also are forward-looking statements. All such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those in forward-looking statements.

We urge you to carefully consider the following important factors that could cause actual results to differ materially from the expectations of the Company or its management:

- Market demand for semiconductors, particularly for analog chips and digital signal processors in key markets such as communications, entertainment electronics and computing;
- TI's ability to maintain or improve profit margins, including its ability to utilize its manufacturing facilities at sufficient levels to cover its fixed operating costs, in an intensely competitive and cyclical industry;
- TI's ability to develop, manufacture and market innovative products in a rapidly changing technological environment;
- $\cdot\,$  TI's ability to compete in products and prices in an intensely competitive industry;
- TI's ability to maintain and enforce a strong intellectual property portfolio and obtain needed licenses from third parties;
- Expiration of license agreements between TI and its patent licensees, and market conditions reducing royalty payments to TI;
- Economic, social and political conditions in the countries in which TI, its customers or its suppliers operate, including security risks, health conditions, possible disruptions in transportation networks and fluctuations in foreign currency exchange rates;
- · Natural events such as severe weather and earthquakes in the locations in which TI, its customers or its suppliers operate;
- · Availability and cost of raw materials, utilities and critical manufacturing equipment;
- Changes in the tax rate applicable to TI as the result of changes in tax law, the jurisdictions in which profits are determined to be earned and taxed, the outcome of tax audits and the ability to realize deferred tax assets;
- · Losses or curtailments of purchases from key customers and the timing and amount of distributor and other customer inventory adjustments;
- · Customer demand that differs from company forecasts;
- · The financial impact of inadequate or excess TI inventories to meet demand that differs from projections;
- · Product liability or warranty claims, or recalls by TI customers for a product containing a TI part;
- $\cdot$  TI's ability to recruit and retain skilled personnel; and
- Timely implementation of new manufacturing technologies, installation of manufacturing equipment and the ability to obtain needed third-party foundry and assembly/test subcontract services.

For a more detailed discussion of these factors, see the text under the heading "Risk Factors" in Item 1A of the Company's most recent Form 10-K. The forward-looking statements included in this release are made only as of the date of publication, and the Company undertakes no obligation to update the forward-looking statements to reflect subsequent events or circumstances.

Texas Instruments Incorporated provides innovative DSP and analog technologies to meet our customers' real world signal processing requirements. In addition to Semiconductor, the company includes the Educational & Productivity Solutions business. TI is headquartered in Dallas, Texas, and has manufacturing, design or sales operations in more than 25 countries.

Texas Instruments is traded on the New York Stock Exchange under the symbol TXN. More information is located on the World Wide Web at www.ti.com.

TI Trademark: DLP

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